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The Corporate Welfare Fable

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D.C taxpayers are spending half a million dollars per construction job–all for the benefit of a private company. (Shutterstock)

Politicians use a simple sales pitch when it comes to corporate welfare: It'll create jobs, spur economic growth, and benefit local communities. But these promises are more used-car salesman than statesman, and any American who looks into these claims will find that they're being sold a bill of goods. Of course, the government should enact policies that enable businesses to thrive, but too often they cut special deals for the wealthy and well-connected and limit opportunity for everyone else.

The latest proof comes from none other than Washington, D.C. Six years ago, a hotel developer began talks with D.C. council members to receive a $46 million tax credit if the company created 300 construction jobs for local residents. Yet the hotel in question is now weeks away from completion, and to date the company has hired only 90 District employees—less than a third of what they agreed to before getting their taxpayer-funded windfall. At this rate, D.C taxpayers are spending half a million dollars per construction job—all for the benefit of a private company.

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This promise-not-delivered is not unique to the nation's capital. Across the country, politicians have filled corporate coffers with taxpayer money despite meager—and often painful—results.

In upstate New York, for instance, Gov. Cuomo kicked off the "Start-Up New York" program in 2013. He pledged to "supercharge" the state economy by creating tax-free zones for businesses. Cuomo's office estimated that the program would generate more than 4,000 jobs by 2020. Roughly half-way to the finish line, the program has brought in a mere 10% of the promised jobs, even as the state has spent tens of millions.

Nearly every state has an office dedicated to granting special taxpayer benefits to select corporations, with little or nothing to show for it. In recent years, from Michigan to Texas, states across the blue-red divide have each spent north of $3 billion on special deals to lure businesses to the state, or to keep them there. All told, state and local governments have awarded companies over $64 billion in the past three and a half decades according to a 2013 Good Jobs First report. What do taxpayers get in return? One job for every $456,000 spent.

Digging down to specific special-interest handouts yields even more evidence. Take the example of tax credits for Hollywood producers, one of the most common giveaways that's supposed to create jobs but rarely does.

In North Carolina, for instance, the state's general assembly recently found $30 million in tax credits awarded in 2011 created between 55 and 70 new jobs. The state was paying roughly half a million per job, yet those hired were making $36,000 annually. The results in Massachusetts weren't much better. The Massachusetts Department of Revenue concluded that between 2006 and 2012, for every job obtained by a local resident—some only lasting a few weeks—the state lost $118,873.

Nationally, the University of Southern California recently concluded that since 1999 film tax credits have created close to zero new jobs, even in the production-heavy states of California and New York. Meanwhile, Hollywood producers and stars have gotten rich off a total $1.8 billion in giveaways.

Professional sports leagues make Hollywood look like small-ball. For instance, all but two of the National Football League's current stadiums received taxpayer dollars, costing Americans a combined $7 billion since 1995. Per usual, politicians tout these handouts as investments, but the returns have been non-existent (except for the multimillion-dollar franchise owners). Years of studies show little to no resulting job growth. Dennis Coates, an economist at the University of Maryland, put it best in 2015: "You're not going to get income growth; you're not going to get tax growth; you're not going to get employment growth."

And lest we forget special-interest handouts at the federal level, there are countless examples of programs that are long on promises but short on results. The Export-Import Bank is supposed to use taxpayer financing to boost American exports, but in the process it gives foreign companies a leg up on their American competitors –something airline workers, miners and manufacturers have experienced firsthand. No wonder federal auditors have highlighted flaws in Ex-Im's jobs assessment.

America's 10 Best Corporate Citizens In 2016

The story is similar with the sugar industry, long protected by federally mandated price controls. The explicit purpose of these giveaways is to protect jobs, but the U.S. Department of Commerce finds the opposite to be the case: For every one sugar-growing job "saved," three manufacturing jobs are lost. Each year, approximately 10,000 U.S. jobs are lost thanks to this blatant corporate welfare, and consumers suffer in other ways, too.

I could keep going on. But the lesson is clear: Corporate welfare, no matter what form it takes, routinely fails to create jobs, grow the economy, or produce any benefit to society–and if it does, the cost is sky-high or the unintended consequences are severe.

Remember that the next time you hear a politician tout any kind of preferential treatment for special interests. The better option is to let the American people make their own decisions about where to spend their money–the only proven way to create jobs, spur growth, and move society forward. Because when politicians try and pick the society's winners, they inevitably choose the wealthy and the well-connected, while the rest of us lose big.

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